



**Annual Financial Statements for
ZULULAND DISTRICT MUNICIPALITY
for the year ended 30 June 2015**

Province:

KwaZulu Natal

Contact Information:

Name of Municipal Manager: J.H. DE KLERK

Name of Chief Financial Officer: S.B. NKOSI

Contact telephone number: 358 745 500

Contact e-mail address: mm@zululand.org.za

Name of contact at provincial treasury: NOMFUNDO SHONGWE

Contact telephone number: 033 897 4423

Contact e-mail address: nomfundo.shongwe@kzntreasury.gov.za

Name of relevant Auditor: Auditor General

Contact telephone number: 332 647 400

Contact e-mail address: JonathanS@agsa.co.za

Name of contact at National Treasury:

Unathi Ndobeni

Contact telephone number: 012 315 5103

Contact e-mail address: unathi.ndobeni@treasury.gov.za

**ZULULAND DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015**

GENERAL INFORMATION

MEMBERS OF THE COUNCIL

1 Cllr MA Hlatshwayo	Mayor
2 Cllr V O Mbuyisa	Speaker
3 Cllr SE Qwabe	Deputy Mayor
4 Cllr S Ntombela	Member of the Executive Committee
5 Cllr B B Zwane	Member of the Executive Committee
6 Cllr ME Khumalo	Member of the Executive Committee
7 Cllr S E Nkwanyana	Member of the Executive Committee
8 Cllr SR Nkosi	Member
9 Cllr M M Mntungwa	Member
10 Cllr M B Mabaso	Member
11 Cllr ZS Buthelezi	Member
12 Cllr R B Mhlungu	Member
13 Cllr N J Mjaja	Member
14 Cllr Z Siyaya	Member
15 Cllr T B Lukhele	Member
16 Cllr SJ Zulu	Member
17 Cllr BJ Mncwango	Member
18 Cllr BC Nhlabathi	Member
19 Cllr KE Nxumalo	Member
20 Cllr IA Mbatha	Member
21 Cllr NM Nhlabathi	Member
22 Cllr RM Zulu	Member
23 Cllr MT Lushaba	Member
24 Cllr NF Zulu	Member
25 Cllr MS Ntshangase	Member
26 Cllr ISM Hadebe	Member
27 Cllr ME Buthelezi	Member
28 Cllr Mkhize TK	Member
29 Cllr Ximba SP	Member
30 Cllr TL Khumalo	Member
31 Cllr PTAN Buthelezi	Member
32 Cllr LS Dumakude	Member
33 Cllr N Xaba	Member
34 Cllr TJ Khumalo	Member
35 Cllr Dlamini QM	Member

**ZULULAND DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015**

General information (continued)

Municipal Manager

J.H. de Klerk

Chief Financial Officer

S.B. Nkosi

Grading of Local Authority

4

Auditors

Auditor-General South Africa

Bankers

ABSA Bank Limited

Registered Office:

ZULULAND DISTRICT MUNICIPALITY

Physical address:

B-400 GAGANE STREET
ULUNDI
3838

Postal address:

PRIVATE BAG X76
ULUNDI
3838

Telephone number:

035 874 5500

Fax number:

035 874 5589/91

E-mail address:

mm@zululand.org.za

ZULULAND DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 52, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs's determination in accordance with this Act.



Municipal Manager: Mr J H De Waal

31 August 2015

ZULULAND DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

Index	Page
General Information	1-2
Approval of Financial statements	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement Comparison of Budget and Actual Amounts	8
Accounting Policies	9-20
Notes to the Financial Statements	21-43
Appendix A: Schedule of External Loans	44
Appendix B: Analysis of Property, Plant and Equipment	44-47
Appendix C: Analysis of Heritage Assets	48-49
Appendix D: Segmental Analysis of Property, Plant and Equipment	50
Appendix E: Segmental Statement of Financial Performance	51
Appendix F: Grants & Subsidies Received	52
Appendix G: Statement of Comparative and Actual Information	

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	Note	2015 R	2014 R
ASSETS			
Current assets		33 034 742	19 646 077
Cash and cash equivalents	2	6 000	-
Trade receivables from exchange transactions	3.1.	8 103 144	3 791 500
Other receivables from exchange transactions	3.2.	177 118	31 600
Other receivables from non-exchange transactions	4 & 38	12 956 283	4 141 495
Inventories	5	5 507 329	3 285 555
Prepayments	6	759 931	1 754 390
VAT receivable	13	5 524 936	6 641 538
Non-current assets		2 261 587 603	2 070 452 470
Non-current receivables	7	5 224 345	3 124 887
Property, plant and equipment	8	2 254 638 055	2 065 792 385
Heritage assets	9	1 151 452	1 151 452
Intangible assets	10	573 752	383 745
Total assets		2 294 622 345	2 090 098 547
LIABILITIES			
Current liabilities		132 666 796	94 291 921
Trade and other payables from exchange transactions	11	76 828 090	79 132 435
Consumer deposits	12	3 329 844	3 227 865
Current provisions	14	6 814 881	5 869 455
Bank overdraft	2	45 486 859	5 499 352
Payables from non-exchange transactions	15	207 123	562 815
Non-current liabilities		15 738 325	5 325
Rental deposits held	17	5 325	5 325
Post retirement benefit obligations	39	15 733 000	-
Total liabilities		148 405 121	94 297 246
Net assets		2 146 217 224	1 995 801 301
NET ASSETS			
Accumulated surplus / (deficit)		2 146 217 224	1 995 801 301
Total net assets		2 146 217 224	1 995 801 301

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2015

	Note	2015 R	2014 R
Revenue from Exchange Transactions			
Service charges	18	29 948 179	26 899 025
Rental of facilities and equipment	19	178 377	119 418
Interest earned - external investments	20	2 037 921	6 980 485
Other revenue from exchange transactions	23	3 701 241	2 533 754
Reversal of contribution to doubtful debts	3	7 682 194	-
Revenue from Non-Exchange Transactions			
Government grants and subsidies received	22	659 449 094	673 040 161
Other revenue from non-exchange	22,1	37 964	27 864
Total revenue		703 034 970	709 600 706
Expenses			
Employee related costs	24	144 055 908	128 570 712
Remuneration of councilors	25	6 221 335	6 191 361
Contribution to Doubtful debts	3	-	6 416 307
Depreciation and amortisation expense	26.1	45 070 211	29 700 571
Repairs and maintenance	26.2	41 115 042	47 091 156
Bad debts	50	8 246 053	-
Employee benefits	39	15 733 000	-
Bulk Water purification and Sewer Treatment	28	74 180 428	76 016 153
Contracted services	29	14 862 961	13 428 612
Grants and subsidies paid	30	200 000	1 829 239
General expenses	31	204 716 125	212 653 951
Total expenses		554 401 064	521 898 061
Gains on sale of assets	32	167 119	23 291
Financial Loss Recovered	42	1 097 113	1 000 000
Surplus / (deficit) for the period		149 898 137	188 725 936

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2015

DETAILS	Note	Accumulated Surplus/(Deficit) R
Balance at 30 June 2013		1 792 772 066
Correction of prior period error	38	989 379
Restated Balance at 30 June 2013		1 793 761 445
Surplus / (deficit) for the period		188 725 936
Restated Balance at 30 June 2014		1 982 487 381
Correction of prior period error	38	13 313 921
Restated Balance at 30 June 2014		1 995 801 301
Transfers to accumulated surplus		517 785
Surplus / (deficit) for the period		149 898 137
Balance at 30 June 2015		2 146 217 224

ZULULAND DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2015

	Note	2015	2014
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		686 563 006	716 985 248
Cash Received from consumers, government and other	33	686 563 006	716 985 248
Payments		(510 894 451)	(496 183 496)
Cash Paid to employee costs, supplier and other	33	(510 894 451)	(496 183 496)
Net cash flows from operating activities	33	175 668 555	220 801 752
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		(231 383 062)	(315 851 983)
Purchase of Property, Plant and Equipment		(233 345 000)	(323 461 861)
Purchase of Heritage Assets		-	(162 974)
Proceeds from sale of Property, Plant and Equipment		395 346	842 167
Interest-Investments		2 037 918	6 980 485
Purchase of intangible assets		(471 325)	(49 800)
Proceeds from sale of investments			
Purchase of foreign currency securities			
CASH FLOWS FROM FINANCING ACTIVITIES			
		15 733 000	-
Increase in post retirement benefit obligations		15 733 000	-
Net Increase / (decrease) in net cash and cash equivalents		(39 981 507)	(95 050 231)
Net cash and cash equivalents at beginning of period		(5 499 352)	89 550 879
Net cash and cash equivalents at end of period	34	(45 480 859)	(5 499 352)

ZULULAND DISTRICT MUNICIPALITY							
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS							
for the year ended 30 June 2015							
Actual 2014	Description	Actual 2015	Approved Budget 2015	Adjustments	Final Budget 2015	Difference	Comments
	Revenue						
26 899 025	Service charges	29 948 179	29 297 000		29 297 000	651 179	Service charges from Sewerage Removal was not budget for during 2014/15 budget.
119 418	Rental of facilities and equipment	178 377	65 000		65 000	113 377	Budget was based on the last financial year's actual.
6 980 485	Interest earned - external investments	2 037 921	8 581 000	-6 000 000	2 581 000	-543 079	Interest is based on estimated capital investments that fluctuate during the year.
	Reversal of provision for doubtful debts	7 682 194					Reversal of provision
673 040 161	Government grants and subsidies	659 449 094	649 563 000	-6 537 000	643 026 000	16 423 094	P 700 Grant was not received, RBIG was not received in full and the additional allocation of MIG and ACIP.
2 561 618	Other income	3 739 205	181 672 000	-1 652 000	180 020 000	-176 280 795	Due to the appropriation of accumulated reserves used to finance the budget
709 606 706	Total revenue	703 034 970	869 178 000	-14 189 000	854 989 000	151 954 030	
	Expenses						
128 570 712	Employee related costs	144 055 908	142 395 000		142 395 000	-1 660 908	savings was reallocated to salaries to cater for salaries more than budget
6 191 361	Remuneration of councillors	6 221 335	6 467 000		6 467 000	245 665	savings in allowances
-	Bad debts	8 246 053				-8 246 053	Based on actual debt impairment
29 700 571	Depreciation and amortisation expense	45 070 211	45 618 000		45 618 000	547 789	Other Assets are purchased at different intervals during the year and some were not capitalised since they are still in progress.
47 091 156	Repairs and maintenance	41 115 042	58 987 000		58 987 000	17 871 958	Savings achieved
-	Employee benefits	15 733 000	-	-	-	-15 733 000	No budget for employee benefits
76 016 153	Bulk Water purification and Sewer Treatment	74 180 428	84 865 000		84 865 000	10 684 572	bulk water purchases is fully spent as a results of refurbishment works conducted at the plants.
13 428 612	Contracted services	14 862 961	15 401 942		15 401 942	538 981	There are savings in the budget
1 829 239	Grants and subsidies paid	200 000	1 981 000		1 981 000	1 781 000	Funded organisations could not prove prior year expenditure and it was agreed that money will not be transferred
219 070 258	General expenses	204 716 125	158 455 058	-16 680 000	141 775 058	-62 941 067	Rural sanitation budget is not allocated to operating budget since its capital in nature, but does not qualify to be an asset, that resulted to the expenditure being operating and included in the financial performance
521 898 061	Total expense	554 401 064	514 176 000	-16 680 000	497 496 000	-56 911 064	
23 291	Gains / (losses) on sale of assets	167 119		-	-	-	
1 000 000	Financial Loss Recovered	1 097 113	-	-	-	-	Proceeds from insurance claim
188 725 936	Surplus/ (Deficit) for the period	149 898 138	355 008 000		357 499 000	208 865 094	

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015**

1 ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

1.1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied except where a transitional provision has been granted are disclosed below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amount of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Current Provisions.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

The presentation and classification of items in the current year is consistent with prior periods.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards of GRAP have been issued by the Accounting Standards Board but have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5.

Standard number	Standard name	Effective date (if applicable)
GRAP 18	<i>Segment Reporting</i>	<i>No effective date</i>
GRAP 20	<i>Related Party Disclosures</i>	<i>No effective date</i>
GRAP 32	<i>Service Concessions Arrangement Grantor</i>	<i>No effective date</i>
GRAP 105	<i>Transfer of Functions Between Entities Under Common Control</i>	<i>No effective date</i>
GRAP 106	<i>Transfer of Functions Between Entities Not Under Common Control</i>	<i>No effective date</i>
GRAP 107	<i>Mergers</i>	<i>No effective date</i>
GRAP 108	<i>Statutory Receivables</i>	<i>No effective date</i>

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015**

GRAP 18: SEGMENT REPORTING

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 20: RELATED PARTY DISCLOSURES

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

It is unlikely that the standard will have a material impact on the municipality's financial statements.
For the year under review, the municipality has applied IPSAS 20.

GRAP 25: EMPLOYEE BENEFITS

The objective of this standard is to prescribe the accounting and disclosure for employee benefits. The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013. The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 31: INTANGIBLE ASSETS

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

There is no impact of the standard on adoption.

GRAP 105: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities not under common control.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: MERGERS

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

Impact on the municipality's financial statements once implemented:

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015

1.6 PROPERTY, PLANT AND EQUIPMENT

1.6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The major components are depreciated separately over their useful lives.

Where an asset is acquired by the municipality for no consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.6.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.6.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use after taking into account the an assets' residual value where applicable.

The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure

Water	15-70 years
Sewerage	15-70 years

Community

Buildings	30 years
Recreational Facilities	20-30 years

Finance lease assets

Office equipment	5 years
------------------	---------

Other

Buildings	30 years
Specialist vehicles	7 years
Other vehicles	7 years
Office equipment	3-7 years
Furniture and fittings	7 years
Emergency equipment	10 years
Computer equipment	5 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and adjusted where necessary. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015**

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Land is not depreciated as it is deemed to have an indefinite life.

1.6.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.7 HERITAGE ASSETS

1.7.1 INITIAL RECOGNITION

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations. A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

1.7.2 MEASUREMENT AT RECOGNITION

Heritage asset is initially measured at cost at the date of acquisition or in the case where a heritage asset is acquired through a non-exchange transaction (i.e. donation or grant) at deemed cost, being the fair value of the asset at acquisition date.

The cost of a heritage asset is a purchase price and other costs directly attributable to bring the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management of the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes attributable costs of dismantling and removing the asset and restoring the site on which the asset is located.

Where there is no evidence to determine the market value of an item of heritage asset in an active market, a valuation technique is used to determine the fair value.

1.7.3 SUBSEQUENT MEASUREMENT

The municipality uses either cost model or revaluation model to value each class of heritage asset. Subsequent expenditure relating to heritage assets is capitalised if that expenditure meets all the requirements of heritage asset and can be measured reliably. Subsequent expenditure is only capitalised when that expenditure increases the level of benefit from present and future generation.

If the municipality re-values heritage asset, the entire class of heritage assets to which that asset belongs is re-valued. The surplus or deficit realised during revaluation is either credited or debited against the revaluation surplus account.

Heritage assets are not depreciated; however the municipality assesses impairment to all heritage assets at each reporting date.

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015**

1.7.4 DE-RECOGNITION OF HERITAGE ASSETS

The carrying amount of an item of heritage asset is de-recognised on disposal or when no future economic benefit or service potential or for the benefit of present and future generations.

The gains or losses derived from de-recognition is recognised in the surplus or deficit when the heritage asset is de-recognised.

Gains and losses are determined as the difference between the carrying amount (cost less accumulated impairment losses) and the disposal proceeds and included in the Statement of Financial Performance.

1.7.5 TRANSITIONAL PROVISIONS

The municipality utilises the transitional provisions under Directive 4, which allows three (3) years for the measurement of heritage assets.

1.8 INTANGIBLE ASSETS

1.8.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.8.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5-7 years
-------------------	-----------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015**

1.8.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 INVENTORIES

1.9.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.9.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method (FIFO).

1.10 NON-CURRENT ASSETS HELD FOR SALE

1.10.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10.2 MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10.3 DERECOGNITION

Non-current assets and disposal groups held for sale are derecognised upon disposal of the item or where no further economic benefits or service potential is expected to flow from the asset or disposal group. Gains / loss that result from the derecognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of the derecognition.

1.11 INVESTMENT PROPERTY

1.11.1 INITIAL RECOGNITION AND MEASUREMENT

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations. Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably. At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015

1.11.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11.3 IMPAIRMENTS

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.11.4 DERECOGNITION

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.12 BIOLOGICAL ASSETS

1.12.1 RECOGNITION

Biological assets that are not managed as part of an agricultural activity are accounted for as property, plant and equipment where they are expected to be used for longer than 12 months (refer to accounting policy for property, plant and equipment).

Biological assets that are managed as part of an agricultural activity, and agricultural produce are recognised when:

- o The entity controls the asset; and
- o Future economic benefits or service potential from the asset is probable; and
- o The fair value or cost of the asset can be determined.

1.12.2 MEASUREMENT

Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition as well for subsequent reporting periods. Agricultural produce (as harvested from biological assets) are recognised at the point of harvest. Accordingly, agricultural produce is measured at fair value less point-of-sale costs at the point of harvest. When this agricultural produce is transferred to inventory (for the purpose of consumption or resale) the fair value less point-of-sale costs, becomes the cost of the agricultural produce inventory.

Where there is no active market for biological assets and it is not possible to determine the fair value of the biological assets reliably through the use of other valuation techniques, the biological assets are measured at cost less accumulated depreciation and accumulated impairment losses. Should the fair value of the biological asset become available or reliably determinable in subsequent periods, the biological asset will be measured at its fair value less point-of-sale costs

When measuring the biological asset at fair value less point-of-sale costs at initial recognition a gain arises on that asset. This gain is recognised in surplus or deficit for the period during which the biological asset was initially recognised. Any subsequent changes to the fair value less point-of-sale costs (which arise as a result of re-measurements at subsequent reporting dates) are also recognised in the surplus or deficit for the period.

The gain or loss that arises on the initial recognition of agricultural produce at fair value less point-of-sale costs is also recognised in surplus or deficit in the period that it arises.

1.12.2 DERECOGNITION

Agricultural produce is derecognised at the point of reclassification to inventory. As the fair value less point-of-sale costs becomes the cost of the inventory, no gain or loss is derecognised at the point of reclassification.

Biological assets are derecognised when the entity disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015

1.13 FINANCIAL INSTRUMENTS

1.13.1 INITIAL RECOGNITION

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost

1.13.2 MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP 104 Standard on Financial Instruments, is in accordance with IAS 39.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

1.13.3 IMPAIRMENTS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

1.13.4 RECOGNITION

A financial asset is derecognised at trade date, when:

The cash flows from the asset expire, are settled or waived;

a) Significant risks and rewards are transferred to another party; or

b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.9 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015**

1,10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1,11 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1,12 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1,13 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,14 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,15 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,16 LEASES

1.16.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight line basis over the term of the relevant lease.

1.16.2 MUNICIPALITY AS A LESSOR

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.17 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.18 REVENUE

1.18.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by the council and are levied monthly.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015**

1.18.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines in the form of meter tampering fines. Fines are recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.18.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset or expense is recognised.

1.19 BORROWING COSTS

Borrowing cost are recognised as an expense in Statement of Financial Performance in the period they become due and payable.

1.20 EMPLOYEE BENEFITS

Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Pension obligations

The Municipality's personnel are members of either the Government Employees Pension Fund (GEPF) or one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. Except for the NJMPF Provident fund, the aforementioned funds are defined benefit funds. As these defined benefit funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific employer and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution funds.

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2015**

Municipal Councillors

Councillors belong to the Councillors Pension Fund which is a defined contribution fund and employers have no legal or constructive obligation for any shortfalls in valuation of the fund.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits for current employees of the municipality. According to the municipality, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

1,21 VAT

VAT is accounted for on the payment basis i.e. VAT is paid over to SARS only once payment is received from debtors and/ or when actual payment is made to creditors.

1,22 BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP 24. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts.

Explanatory comments on material differences are provided in a separate budget statement in the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The changes between the approved and final budget are a consequence of reallocations within the approved budget by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

The budget is approved on an accrual basis by nature classification. The approved budget covers the reporting period from 1 July 2014 to 30 June 2015.

1,23 CAPITAL COMMITMENTS

Most of infrastructure projects are multi-year projects that requires budget funding over certain period of years. At year-end reporting date some funds are committed and contract signed with various contractors to carry out construction of infrastructure projects. Some funds are committed but not yet contracted for. Committed amount is net of VAT.

1,24 NON-CASH-GENERATING ASSETS

The municipality holds Non-Cash-Generating Assets that are used for service delivery purposes. All assets that are used for service delivery purposes are categorised as Non-cash-generating assets. GRAP 21 is used to determine impairment of Non-Cash-Generating assets. Impairment loss is the amount the carrying value exceeds recoverable service amount of an asset. Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2015 R	2014 R
2 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		6 000	-
Call deposits		-	-
		<u>6 000</u>	<u>-</u>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
ABSA BANK-KZN Public Sector Branch: 4047162045			
Cash book balance at beginning of year		-5 499 352	(39 476 013)
Cash book balance at end of year		-	(5 499 352)
Bank statement balance at beginning of year		11 200 997	40 318 624
Bank statement balance at end of year		-	11 200 997
Cash on hand		6 000	-
Total cash and cash equivalents		<u>6 000</u>	<u>-</u>
Total bank overdraft		<u>45 486 859</u>	<u>5 499 352</u>
<u>Call Accounts</u>			
Absa Bank (20-7293-6439)		-	30 000 000
First National Bank (103607016)		-	10 000 000
Standard Bank (9864660)		-	10 000 000
investec		-	-
Total		<u>-</u>	<u>50 000 000</u>

Encumbrances: A Guarantee of R24,200,000 has been issued in favour of supplier for the purchase of pipes (2013). The guarantee was released during the 2014 financial year.

3.1 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	Impairment of Debtors R	Net Balance R
<u>Trade receivables</u>			
as at 30 June 2015			
Service debtors (Water and Sanitation)	64 466 163	56 363 019	8 103 144
Total	<u>64 466 163</u>	<u>56 363 019</u>	<u>8 103 144</u>
as at 30 June 2014			
Service debtors (Water and Sanitation)	67 836 712	64 045 213	3 791 500
Total	<u>67 836 712</u>	<u>64 045 213</u>	<u>3 791 500</u>
	<u>67 836 712</u>	<u>64 045 213</u>	<u>3 791 500</u>

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note	2015 R	2014 R
Water and Sewerage: Ageing		
Current (0 – 30 days)	2 886 613	5 057 607
31 - 60 Days	1 785 851	1 438 677
61 - 90 Days	1 719 592	1 534 893
91 - 120 Days	1 592 412	1 244 947
121 - 365 Days	9 677 446	9 471 371
+ 365 Days	47 024 249	49 091 117
Total	64 466 163	67 836 712

Summary of Debtors by Customer Classification

	Consumers	Industrial/Commercial	National & Provincial Government
	R	R	R
as at 30 June 2015			
Current (0 – 30 days)	1 179 772	600 913,03	905 928
31 - 60 Days	941 868	308 320,44	515 663
61 - 90 Days	973 638	264 356,37	481 598
91 - 120 Days	937 706	374 089,57	280 615
121 - 365 Days	7 546 429	1 026 435,55	1 104 581
+ 365 Days	43 150 836	1 183 754,26	2 688 656
Sub-total	54 730 252	3 757 869,22	5 978 042
Less: Provision for doubtful debts			
Total debtors by customer classification	54 730 252	3 757 869	5 978 042
as at 30 June 2014			
Current (0 – 30 days)	2 360 442	549 198	2 147 967
31 - 60 Days	960 642	268 700	187 336
61 - 90 Days	942 468	271 742	320 783
91 - 120 Days	920 631	180 622	163 794
121 - 365 Days	7 411 073	1 494 389	565 909
+ 365 Days	45 893 008	2 183 421	1 014 687
Sub-total	58 508 164	4 928 072	4 400 476
Less: Provision for doubtful debts			
Total debtors by customer classification	58 508 164	4 928 072	4 400 476

3.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	64 045 215	57 628 908
Contributions to provision	-	6 416 307
Reversal of provision	(7 682 194)	-
Total	56 363 021	64 045 215
Correction of error (Note 38)	-	-
Balance at end of year	56 363 021	64 045 215

Trade and other receivables past due but not impaired

Trade and other receivables which are regular payers with amounts owing less than 60 days past due are not considered to be impaired. At 30 June 2015, R8 103 144 - (2014: R3 791 500) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Less than 60 days past due	1 304 452	1 288 885
Less than 180 days past due	6 798 692	2 502 614
	8 103 144	3 791 500

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note	2015 R	2014 R
------	-----------	-----------

Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R56 363 021 - (2014: R64 045 213) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months
Over 6 months

	56 363 021	64 045 213
	5 072 461	7 900 882
	51 290 559	56 144 321

The fair value of trade and other receivables approximates their carrying amounts.

3.2. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Debtor: Ondini Motors	"	31 600
Debtor: Avis	5 364	-
Debtor: Waphatha Group Pty Ltd	18 774	-
Debtor: Imbali Elegance Tourism	16 092	-
Debtor: BP Drakensburg	136 888	-
Total	177 118	31 600

4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Debtor: Interest on Investment (Call accounts)	13 631	70 318
Debtor: S S Nkambule	17 740	29 740
Debtor: ISM Hadebe	23 043	73 514
Debtor: JB Dlamini	18 440	36 276
Debtor: Natal Spa	-	71 058
Debtor: Insurance Claim	202 679	202 679
Debtor: Ulundi Municipality	"	454 835
Debtor: Federal Air Lines	-	15 190
Debtor: BAC Helicopter	"	4 598
Debtor: KZN Aviation	"	3 010
Debtor: Abogreen Farm	"	2 359
Debtor: Vriendskap Boedery	"	168 825
Debtor: Pongola Municipality	"	284 062
Debtor: ZM Ngwenya	347	-
Bursary debtors	6 260	-
Debtor: ABSA Bank	7 604	-
Debtor: Water Affairs	12 668 538	2 739 528
Total	12 956 283	4 146 093
Adjusted for Correction of Error (Note 38)	-	(4 598)
Total Other Debtors	12 956 283	4 141 495

Sale of aviation income was incorrectly recorded as sewerage income

5 INVENTORIES

Closing balance of inventories:

Consumable store & water stock	5 201 962	3 337 865
Fuel Stock	305 368	27 880
Total	5 507 329	3 365 745
Adjusted for Correction of Error (Note 38)	-	(80 190)
Total Inventory	5 507 329	3 285 555

Stock was incorrect allocation of stock from 2013/14 financial year reporting

6 PREPAYMENTS

Prepaid expenses	70 011	1 064 470
Federal Air deposit	689 920	689 920
	759 931	1 754 390

Pre-payments include Eskom electricity account with credit balances and deposit on aviation contract paid to Federal Air.

7 NON-CURRENT RECEIVABLES

Debtor: Eskom Deposits	5 218 301	3 118 844
Deposit: Property 165 President Str, Vryheid	6 044	6 044
Total	5 224 345	3 124 887

Eskom Deposit- is payable when an application is made to connect a new water scheme for the Eskom line supply.

Rent Deposit- this is the deposit payable in terms of the office lease agreement

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

PROPERTY, PLANT AND EQUIPMENT

Reclassification of 2014/15

	Land	Buildings	Infrastructure	Community	Special work in progress	Mortgage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R	R
Restated balance at 1 July 2014	470 000	20 313 321	1 187 160 805	14 548 886	813 181 437	-	31 079 198	-	2 065 753 448
Cost/Revaluation	470 000	43 476 034	1 382 304 989	14 933 380	813 181 437	-	52 015 213	-	2 306 181 053
reclassification 1	-	(9 525 760)	9 525 760,04	-	-	-	-	-	-
reclassification 2	-	(4 167 811)	3 006 775	-	-	-	1 161 836	-	-
Other movements	-	-	-	-	-	-	951 002	-	951 002
restated opening balance at 30 June 2014	470 000	20 722 663	1 394 638 594	14 933 380	813 181 437	-	54 138 111	-	2 307 142 114
Correction of error (note 48)	-	597 416	13 173 423	(349 754)	-	-	(620 478)	-	12 900 613
Accumulated depreciation and impairment losses	-	(10 066 757)	(220 640 148)	(34 940)	-	-	(22 438 435)	-	(353 189 280)
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-
Transfers	-	14 536 328	135 589 086,33	-	(100 540 490,17)	-	5 916 389	-	(4 528 887)
Other movements*	-	-	(823 871)	-	-	-	-	-	(823 871)
Acquisitions	-	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	238 846 582	-	-	-	238 846 582
Depreciation	-	(1 227 197)	(35 716 622)	(405 527)	-	-	(7 351 258)	-	(44 900 604)
Carrying value of disposals	-	-	(1 425 058)	-	-	-	(165 558)	-	(1 610 613)
Cost/Revaluation	-	-	(1 435 419)	-	-	-	(1 578 011)	-	(3 012 429)
Accumulated depreciation and impairment losses	-	-	11 363	-	-	-	1 390 453	-	1 401 816
as at 30 June 2015	470 000	33 622 453	1 264 758 841	14 143 100	892 487 529	-	29 189 872	-	2 254 638 035
Cost/Revaluation	470 000	44 318 891	1 528 760 790	14 933 380	892 487 529	-	58 378 680	-	2 338 349 380
Transfers	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(10 696 538)	(244 004 849)	(790 220)	-	-	(29 218 718)	-	(284 711 325)
Reclassification	-	-	-	-	-	-	-	-	-

1. The amount of 9525760 comprises of Airport Runway incorrectly included as buildings instead of being infrastructure.

2. This amount comprises of amounts like airconditioners previously included as buildings instead of being an infrastructure and other assets

Other movements 1

This amount comprises of amounts previously disclosed as finance lease assets that were fully depreciated and thereafter donated to the municipality.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

8. Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Capital work in Progress	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R	R
as at 1 July 2013	470 000	34 575 548	748 394 577	-	948 837 011	-	26 723 952	104 219	1 760 103 307
Cost/Revaluation	470 000	43 476 034	944 003 920	-	948 837 011	-	51 575 983	907 254	1 990 270 202
Correction of error (note 48)	-	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(8 598 486)	(195 509 344)	-	-	-	(24 852 031)	(693 035)	(230 180 895)

Transfers	-	-	438 101 069	14 933 380	(453 034 448)	-	-	-	0
Acquisitions	-	-	-	-	-	-	7 082 987	-	7 082 987
Capital under Construction	-	-	-	-	316 378 874	-	-	-	316 378 874
Depreciation	-	(1 170 271)	(25 039 504)	(34 940)	-	-	(3 411 265)	(104 219)	(29 790 520)
Carrying value of disposals	-	-	-	-	-	-	(818 876)	-	(818 876)
Cost/Revaluation	-	-	-	-	-	-	(6 643 757)	-	(6 643 757)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	5 624 881	-	5 624 881

as at 30 June 2014	470 000	34 006 692	1 174 523 270	14 548 696	813 181 437	-	28 958 300	(0)	2 065 792 385
Cost/Revaluation	470 000	43 476 034	944 003 920	-	1 266 215 885	-	52 015 213	907 254	2 307 088 306
Correction of error (note 38)	-	597 415,55	13 173 429	(349 754)	-	-	(820 478)	-	12 800 613
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-	-
Transfers	-	(10 065 757)	438 101 069	14 933 380	(453 034 448)	-	-	-	0,00
Accumulated depreciation and impairment losses	-	-	(229 649 148)	(34 940)	-	-	(22 438 435)	(807 254)	(254 086 524)

Accumulated depreciation and amortisation was incorrectly disclosed due to the fact that asset categories were not compartmentalised.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

9 HERITAGE ASSETS

9 Reconciliation of Carrying Values

	Art collections	Stamp collections	Collections of rare books or manuscripts	Historical buildings	Work in progress	Total
	R	R	R	R		R
as at 1 July 2014						
Cost/Revaluation	-	-	-	-	1 151 452	1 151 452
Correction of error (note 48)	-	-	-	-	1 151 452	1 151 452
Change in accounting policy (note 47)	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-
as at 30 June 2015						
Cost/Revaluation	-	-	-	-	1 151 452	1 151 452
Transfers	-	-	-	-	1 151 452	1 151 452
Impairment losses	-	-	-	-	-	-

Refer to Appendix C for more detail on Heritage Assets

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

2 Reconciliation of Carrying Value

as at 1 July 2013	
Cost/Revaluation	
Correction of error (note 48)	
Change in accounting policy (note 47)	
Accumulated depreciation and impairment losses	
Acquisitions	
Capital under Construction	
Impairment loss/Reversal of impairment loss	
Transfers	
*Other movements	
as at 30 June 2014	
Cost/Revaluation	
Impairment losses	

Art collections	Stamp collections	Collections of rare books or manuscripts	Historical buildings	Work In Progress	Total
R	R	R	R		R

-	-	-	-	988 478	988 478
-	-	-	-	988 478	988 478
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	162 974	162 974
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1 151 452	1 151 452
-	-	-	-	1 151 452	1 151 452
-	-	-	-	-	-

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note

10 INTANGIBLE ASSETS

10.1 Reconciliation of carrying value

Computer Software

Total

as at 1 July 2014

	R	R
Cost	383 745	383 745
Correction of error (note 38)	595 056	595 056
Accumulated amortisation and impairment losses	-	-
	(211 311)	(211 311)
Acquisitions	471 325	471 325
Amortisation	(169 608)	(169 608)
Other movements	(31 683)	(31 683)
Transfers	(80 028)	(80 028)
Carrying value of disposals	-	-
Cost	(25 480)	(25 480)
Accumulated amortisation	25 480	25 480
as at 30 June 2015	573 752	573 752
Cost	960 873	960 873
Accumulated amortisation and impairment losses	(387 121)	(387 121)

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014**

Note

10 INTANGIBLE ASSETS

10.1 Reconciliation of carrying value

Computer Software

Total

as at 1 July 2013	378 216	378 216
Cost	2 211 836	2 211 836
Accumulated amortisation and impairment losses	(1 833 620)	(1 833 620)
Acquisitions	49 800	49 800
Amortisation	(44 271)	(44 271)
Carrying value of disposals	0	0
Cost	1 666 579	1 666 579
Accumulated amortisation	(1 666 579)	(1 666 579)
as at 30 June 2014	383 745	383 745
Cost	595 056	595 056
Correction of error (note 38)	-	-
Accumulated amortisation and impairment losses	(211 311)	(211 311)

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015	2014
	R	R
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Creditor previous year/year end	34 061 576	33 721 197
Bank deposits not receipted	74 249	-
Other Creditors	-	340 826
Rental deposit: Eldersveld	5 000	-
Rental deposit: Aels	2 682	-
Rental deposit: Wapadus Group (Pty) Ltd	2 682	-
Rental deposit: Imbali Elegance Tourism	2 682	-
Retention	41 651 091	46 104 218
Water & Sanitation Debtors with Credit Balances	1 008 129	1 513 567
Total	76 888 090	84 719 904
Adjusted for Correction of Error (Note 58)	-	(1 587 473)
Total Restated Creditors	76 888 090	79 132 436
12 CONSUMER DEPOSITS		
Water	3 329 844	3 227 865
Total consumer deposits	3 329 844	3 227 865
ZDM does not pay interest on deposits refunded.		
13 VAT RECEIVABLE		
Vat	19 947 308	11 682 025
Yeta-and vat receivable	-	3 203 504
VAT Payable	(7 822 370)	(8 244 050)
Reckoned balance	6 824 938	6 641 539
Vat is accounted for on the payments basis.		
14 CURRENT PROVISIONS		
Reconciliation of movement in Provision for Leave pay		
Opening Balance	5 669 456	5 280 543
Provisions Raised	3 290 414	2 882 803
Amounts Used	(2 344 888)	(2 283 689)
Closing Balance	6 614 982	5 879 656
This provision relates to total number of accumulated leave days for 564 employees of the municipality as at 30 June 2015. Hence provision is disclosed, the municipality is uncertain about the timing of these possible outflows due to the fact that municipal employees will utilise their accumulated days continuously from time-to-time in future.		
15 OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Unspent Conditional Grants from other spheres of government	-	558 370
Creditors: Deceased Staff	4 444	4 444
Creditors: TW Mkhafane	23 280	-
Creditors: LB Shange	170 389	-
Total	297 123	562 814
17 OTHER FINANCIAL LIABILITIES		
Rental deposits held		
Deposit - EC	2 905	2 905
Deposit - WSSA	2 420	2 420
Total	5 325	5 325
Rental deposits are held in terms of the signed rental agreement between Lessor and Lessee.		

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2014	2013
	R	R
18 SERVICE CHARGES		
Sale of water	21 011 818	19 764 168
Sewerage and sanitation charges	5 936 251	7 134 058
Total Service Charges	26 948 069	26 898 226
19 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	178 277	119 418
Total rentals	178 277	119 418
20 INTEREST EARNED - EXTERNAL INVESTMENTS		
Current Account	856 339	897 425
Call Accounts	1 178 982	6 083 060
Total Interest	2 035 321	6 980 485
21 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Debtors	-	-
Total interest	-	-
22 REVENUE FROM NON-EXCHANGE TRANSACTIONS		
GOVERNMENT GRANTS AND SUBSIDIES		
DWAF Accelerated Community Infrastructure (Operational & maintenance)	3 500 000	16 721 000
DWAF- Bulk Infrastructure Grant	62 866 494	53 061 371
Equitable share	297 420 000	276 890 000
Expanded public works Programme	2 486 000	2 942 000
Finance Management Grant	1 250 000	1 250 000
Grant: Rural Sanitation	-	4 500 000
Indasra	1 729 000	1 639 000
Grant: Strategic Support	345 802	-
MIG Grant	241 622 000	261 645 000
MFVF	39 205 000	37 170 000
Municipal Systems Improvement Grant	504 000	890 000
Municipalisation	-	5 886 715
P700 Strategic Corridor	2 167 000	1 865 000
Shared Services Planning	462 769	2 275 613
Umandi Airport	-	6 499 025
Training of Councilors	-	200 000
Grants: ACIP	1 017 453	644 437
Drought Relief Grant	4 443 747	-
TOTAL	689 449 694	673 940 161

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2014	2013
	R	R
22.1 Other Revenue from Non-Exchange		
Tampering Fee	37 964	27 884
	<u>37 964</u>	<u>27 884</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All water consumers receive 6kl free basic water.

MIG GRANT

Balance unspent at beginning of year		
Current year receipts	241 822 000	261 545 000
Conditions met - transferred to revenue	(241 822 000)	(261 545 000)
Conditions still to be met - remain liabilities	-	-

MIG is implemented on a multi year programme and the conditions are met on an ongoing basis.

Conditional Government Grants and Subsidies

Balance unspent at beginning of year	558 370	13 275 022
Current year receipts	650 090 724	660 323 506
Conditions met - transferred to revenue	(650 440 094)	(673 040 160)
Conditions still to be met - remain liabilities	-	658 378

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act No 05 of 2013, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23 OTHER REVENUE FROM EXCHANGE TRANSACTIONS

Marathon entry fee	58 854	49 855
New connections-sewerage	20 531	10 437
New connections-water	76 015	86 020
Reconnection fees-water	142 983	118 456
Sundry Income	110 852	181 402
Sale of Aviation fuel	231 183	685 313
Revenue from flight tickets	2 848 380	439 881
Donations received	-	274 900
Discount Received	33 545	32 390
Indonsa Hall Hire	702	2 000
Telephone expenses recovered	124 029	61 467
Skills Levy Refunds	264 853	288 845
Non-refundable tender deposit	238 707	413 800
TOTAL	<u>5 241 253</u>	<u>2 523 764</u>

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	89 471 845	87 850 785
Employee related costs - Contributions for UIF, pensions and medical aids	23 312 205	20 037 178
Travel, motor car, accommodation, subsistence and other allowances	7 998 481	7 048 279
Housing benefits and allowances	823 136	662 364
Overtime payments	8 687 846	8 230 358
Other employee related costs	5 184 315	4 841 754
TOTAL EMPLOYEE RELATED COSTS	<u>144 856 906</u>	<u>128 670 712</u>

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

	Notes	2015	2014
		R	R

Remuneration of the Municipal Manager

Annual Remuneration		540 000	540 000
Performance- and other bonuses		174 625	138 524
Travel, motor car, accommodation, subsistence and other allowances		821 025	705 096
Contributions to UIF, Medical and Pension Funds		68 590	61 115
TOTAL		1 602 443	1 444 735

Remuneration of the Chief Finance Officer

Annual Remuneration		360 000	360 000
Performance- and other bonuses		124 535	108 815
Travel, motor car, accommodation, subsistence and other allowances		742 815	653 482
Contributions to UIF, Medical and Pension Funds		71 004	52 200
TOTAL		1 298 355	1 171 687

Remuneration of Individual Executive Directors

	Planning R	Technical Services R	Corporate Services R	Community Services R
Annual Remuneration	360 000	360 000	360 000	360 000
Performance- and other bonuses	113 213	101 892	101 892	101 892
Travel, motor car, accommodation, subsistence and other allowances	782 019	775 847	802 781	799 655
Contributions to UIF, Medical and Pension Funds	37 602	20 077	42 249	20 632
Total	1 303 634	1 257 816	1 306 922	1 282 079

	Community R	Technical Services R	Corporate Services R	Planning R
Annual Remuneration	360 000	360 000	360 000	360 000
Performance- and other bonuses	85 932	-	90 113	85 932
Travel, motor car, accommodation, subsistence and other allowances	677 102	681 426	717 181	676 532
Contributions to UIF, Medical and Pension Funds	35 067	18 721	55 585	21 355
Total	1 168 121	1 060 150	1 223 189	1 144 810

25

REMUNERATION OF COUNCILLORS

	R	R
Mayor	748 020,00	703 801
Deputy Mayor	373 014,00	351 980
Speaker	593 822,00	583 040
Executive Committee Members	2 238 088,00	2 111 404
Councillors' pension and medical aid contributions	437 650	319 037
Councillors' allowances	1 532 732	2 142 179
Total Councillors' Remuneration	6 221 335	6 191 381

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has contracted bodyguards and three (3) full time drivers.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2014	2013
	R	R
26.1 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	(44 900 804)	(29 830 983)
Intangible assets	(169 606)	(169 606)
Total Depreciation and Amortisation	(45 070 411)	(29 700 571)
Depreciation and amortisation expense was incorrectly charged due to the fact that asset categories were not componentised.		
26.2 REPAIRS AND MAINTENANCE		
Repairs and maintenance: Building	2 737 204	1 543 046
Repairs and maintenance: Computers	83 738	111 508
Repairs and maintenance: Furniture and equipments	16 658	38 287
Operations and maintenance of water schemes	21 227 385	34 765 288
Refurbishment and maintenance - water schemes	12 307 999	7 135 525
Repairs and maintenance: Vehicles	4 782 845	3 502 628
Total	41 115 642	47 091 196
27 FINANCE COSTS		
Borrowings	-	-
Total Finance Costs	-	-
28 BULK WATER PURIFICATION AND SEWER TREATMENT		
Electricity	31 719 285	32 715 059
Sewerage	3 217 507	2 787 110
Water	39 243 337	40 533 584
Total Bulk Purchases	74 180 428	76 016 153
29 CONTRACTED SERVICES		
Contracted services for:		
Security Services	10 343 860	10 080 900
Meter reading Services	87 295	186 726
Cleaning Service	2 298 883	2 082 414
Internal Audit Services	2 165 125	1 058 572
Restated total	54 895 961	13 428 612
30 GRANTS AND SUBSIDIES PAID		
Abaqulus Municipality	50 000	50 000
Nongoma Municipality	50 000	50 000
Pongola Municipality	50 000	50 000
Ulundi Municipality	50 000	50 000
Bethelside Route	-	80 000
Zululand Bridging Route	-	80 000
Water Service Provider Grant (Abaqulus)	-	1 508 238
	200 000	1 828 238
These grants comprise Tourism Grants to Local Municipalities, other tourism institutions and a Water Services Provider Grant to Abaqulus Municipality		
31 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	332 518	217 905
Audit fees	2 338 721	1 943 915
Bank charges	273 596	183 546
Conferences and delegations	80 852	49 005
Entertainment	470 810	413 050
Fuel and oil	7 812 273	9 787 553
Insurance	855 535	1 161 276
Membership fees	1 289 680	1 267 632
License fees (Vehicles)	423 010	479 316
License fees - Other	70 278	-
Pest Control	144 954	-
Postage	298 658	406 826
Printing and stationery	574 822	583 351
Professional fees	6 611 773	7 023 066
Rental of buildings	180 796	182 770
Rental of office equipment	788 984	1 084 606
Other rentals	360 214	149 528
Skills development limits	1 365 908	1 243 564
Stocks and material	287 905	258 582
Telephone cost	2 256 617	1 917 816
Training	1 767 237	1 706 481
Community & social expenditure	102 123 163	111 858 475
Travel and subsistence	9 536 164	9 138 054
Uniforms & overalls	708 856	684 197
Grants/Projects expenditure	64 028 980	60 853 134
Total	284 716 127	212 653 961

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

32 GAIN ON SALE OF ASSETS

Property, plant and equipment	167 119	23 291
Total	167 119	23 291

33 CASH GENERATED BY OPERATIONS

Surplus for the year	149 888 137	188 725 835
Adjustment for:-		
Depreciation and amortisation	45 070 211	29 700 671
Gain on sale of assets	(167 119)	(23 291)
Interest - investments	(2 037 821)	(6 980 465)
Operating surplus before working capital changes:	192 763 308	211 422 751
Working Capital	(17 884 754)	9 379 829
(Increase)/decrease in trade and other receivables from exchange transactions	(4 311 645)	(522 540)
(Increase)/decrease in other receivables from non-exchange transactions	(5 814 788)	325 674
(Increase)/decrease in current provisions	945 425	585 813
(Increase)/decrease in prepayments	994 459	170 250
(Increase)/decrease in VAT receivable	1 118 802	12 427 845
(Increase)/decrease in VAT payable	-	-
(Increase)/decrease in inventory	(2 221 775)	(14 543)
(Increase)/decrease in non-current receivables	(2 059 457)	884 282
Increase/(decrease) in trade and other payables from exchange transactions	(2 304 345)	8 558 358
Increase/(decrease) in consumer deposits	101 879	9 424
Increase/(decrease) in current taxes	-	(32 712)
Increase/(decrease) in trade and other payables from non-exchange transactions	(365 692)	(12 681 337)
Increase in other non current financial liabilities	-	-
(Increase)/decrease in other trade and other receivables from exchange transactions	(145 518)	(24 967)
Cash generated by/(utilised in) operations	175 668 595	230 841 762

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015	2014
	R	R
Cash receipts from consumers, government and other		
Total revenue per statement of financial performance	798 634 979	708 400 706
Adjusted for items disclosed separately		
Interest received	(2 057 921)	(6 940 495)
Financial loss recovered	1 097 113	1 000 006
Adjusted for working capital	(15 631 155)	13 365 027
(Increase)/decrease in trade and other receivables from exchange transactions	(4 311 645)	(822 540)
(Increase)/decrease in other receivables from non-exchange transactions	(8 614 760)	325 974
(Increase)/decrease in current provisions	945 425	586 913
(Increase)/decrease in VAT receivable	1 116 802	12 427 948
(Increase)/decrease in inventory	(2 221 775)	(14 643)
(Increase) in non-current receivables	(2 069 467)	884 282
(Increase)/decrease in other trade and other receivables from exchange transactions	(146 518)	(24 807)
Cash receipts from consumers, government and other	686 853 056	719 945 246
Cash paid to employees, suppliers and other		
Total expenses as per statement of financial performance	(554 401 064)	(521 090 061)
Adjusted for non-cash items:		
Depreciation	45 670 211	29 700 571
Adjusted for items disclosed separately	45 670 211	29 700 571
Finance Costs	-	-
Adjusted for working capital	(1 563 898)	(3 886 006)
(Increase)/decrease in prepayments	694 458	170 250
(Increase)/decrease in trade and other payables from exchange transactions	(2 304 345)	8 658 389
(Increase)/decrease in trade and other payables from non-exchange transactions	(255 682)	(12 691 337)
(Increase)/decrease in consumer deposits	101 979	9 424
(Increase)/decrease in current taxes and transfers payables (non-exchange)	-	(32 712)
(Increase)/decrease in other current liabilities	-	-
(Increase)/decrease in other current liabilities	-	-
Cash paid to employees, suppliers and other	(509 334 251)	(503 195 499)
34 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	6 000	-
Bank overdrafts	(45 496 856)	(5 499 352)
Net cash and cash equivalents (net of bank overdrafts)	(45 490 856)	(5 499 352)
35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
35.1 Contributions to organised local government		
Opening balance		
Membership Fees	1 257 632	1 257 632
Amount paid - current	(1 257 632)	(1 257 632)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015	2014
	R	R
35.2 Audit fees		
Opening balance		
Current year audit fee	2 336 721	1 943 915
Amount paid - current year	(2 336 721)	(1 943 915)
Balance unpaid (included in payables)	-	-
35.3 PAYE and UIF		
Opening balance		
Current year payroll deductions	21 065 420	19 835 575
Amount paid - current year	(21 065 420)	(19 835 575)
Balance unpaid (included in payables)	-	-
35.4 Medical and Pension Contributions		
Opening balance		
Current year payroll deductions and Council Contributions	30 169 248	25 968 210
Amount paid - current year	(30 169 248)	(25 968 210)
Balance unpaid (included in payables)	-	-
35.5	Outstanding less than 90 days	Outstanding more than 90 days
The following Councilors had arrear accounts outstanding as at 30 June 2015:		
as at 30 June 2015		
Cllr T B Lukhele	76	-
Cllr PATN Buthelesi	231	8 845
Cllr I A Mkhize	53	-
Cllr B J Mzwango	201	780
Cllr T K Mkhize	380	850
Cllr K E Ntshale	124	41 234
Total Councilor Arrear Consumer Accounts	1 105	51 820
as at 30 June 2014		
Cllr T B Lukhele	2 329	32 124
Cllr PATN Buthelesi	205	3 686
Cllr I A Mkhize	278	2 901
Cllr B J Mzwango	1 585	10 223
Cllr T K Mkhize	195	522
Cllr K E Ntshale	1 208	36 454
Total Councilor Arrear Consumer Accounts	5 300	85 480
Awards to suppliers in which persons in the service of the state had indirect private interest		
Cllr SS Ntshale	226 400	-

**ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016**

	2015	2014
	R	R
35.6		
Water losses averaged 9.2% during the year	7 614 315	6 646 209

Unaccounted for water comprises underground leaks, faulty meters, vandalism, reservoir overflows resulting from either faulty or malfunctioning ball valves. The Non Revenue Water Management Strategy is already in place. The municipality is currently drafting the business plan to source funding for the implementation of the Non Revenue Water Management Strategy.

35.7 Irregular Expenditure

Reconciliation of irregular expenditure

Opening balance	86 750	12 090 906
Irregular expenditure incurred during the year	312 364	88 700
Irregular expenditure condoned or written-off by council	(98 798)	(12 090 906)

Irregular expenditure awaiting condonement

302 316	88 700
---------	--------

Irregular expenditure relates to procurements that were made from companies who have directors or members who are in the service of the state. This was due to the members making misrepresentations on the Municipal Bidding Documentation (MBD 4) forms which are official declarations from National Treasury. Investigations are ongoing and further actions will be taken in accordance with the merits of each case. A legal opinion regarding the action that can be instituted has been obtained. However, the municipality does not have access to the databases of government employees and cannot reasonably be expected to know all government employees. As a result, the declarations by members of respective companies are considered adequate. In June 2012 the municipality procured the services of a company that verifies the status of a company or individual before an appointment can be made. This has gone a long way to ensure that companies whose members are in the service of the state are not appointed.

35.8 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance

Unauthorised incurred during the year

Unauthorised incurred condoned or written-off by council

Unauthorised awaiting condonement

-	-
---	---

35.9 Fruitless and Wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	41 199	42 815
Fruitless and wasteful incurred during the year	65 976	78 205
Fruitless and wasteful condoned or written-off by council	(64 869)	(78 821)
Fruitless and wasteful awaiting condonement	12 106	41 199

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

36.10 Report on Approved Deviations

Reconciliation of approved deviations

Opening balance

Deviations Incurred during the year

Deviations reported to council

Deviations awaiting reporting to council

25 036 287	47 370 587
(25 036 287)	(47 370 587)

Compliance with Municipal Supply Chain Management Regulations, paragraph 36.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

36

	2015	2016
	R	R
CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
- Approved and contracted for	237 677 632	228 717 126
Infrastructure	236 716 616	225 692 746
Community	559 535	2 803 755
Other	371 281	220 622
- Approved but not yet contracted for	219 309 675	128 614 254
Community		
Heritage	5 848 000	17 513 000
Other	263 461 675	111 301 254
Infrastructure		
Total	526 987 308	357 331 380
This expenditure will be financed from:		
- Own Revenue	6 805 616	20 537 350
- Government Grants	520 178 691	336 994 030
Total	526 987 308	357 531 380

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

37

	Note	2015	2014
		R	R

OPERATING LEASES

At the reporting date there are no outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	115 819	125 775
In the second to fifth year inclusive	-	-
After five years	-	-
Total	115 819	125 775

Total future minimum sublease payment expected to be received under non-cancellable sublease

Related party balances

Loan accounts - Owed (to) by related parties

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

18

CORRECTION OF PRIOR PERIOD ERROR

These errors relate to misstatements for 2013/2014 and more prior years resulting from mathematical mistakes in applying accounting policies. These errors are corrected retrospectively. Some of these errors were due to misapplication of applicable accounting standards.

Nature of prior period error

Relating to 2013/2014

Incorrect depreciation was recognised resulting to the error that asset were not componentised (JN A056)	(177 594)
Incorrect depreciation was recognised resulting to the error that asset were not componentised (JN A056)	(286 665)
Writing-off of withheld retention monies due to termination of contractors (JN A058)	1 587 473
Incorrect depreciation expenditure was recorded under (incorrect component before componentisation (JN E064)	(145 647)
Incorrect depreciation expenditure that was recorded due overstatement of prior year depreciation journalised by JN E064 (A058)	11 811
Total restatement as at 30 June 2014	959 378

Prior period errors

Correction of prior period errors

Revenues:

None

Net effect

-

Expenditure:

Depreciation and amortisation	(145 647)
Depreciation and amortisation	(177 594)
Depreciation and amortisation	(286 665)
Net effect	(509 906)

Assets:

Property Plant and Equipment	(177 594)
Property Plant and Equipment	(145 647)
Property Plant and Equipment	(286 665)
Property Plant and Equipment	11 811
Net effect	(598 096)

Liabilities:

Retention monies	1 587 473
Net effect	1 587 473

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2014	2015	2014
		R	R
Nature of prior period error			
Relating to 2012/2013			
Incorrect allocation of revenue from sale of aviation fuel as sewerage removal income (JN E071)			(4 588)
Stock written-off for 2013/14 financial year (JLE0152)			(81 345)
Incorrect allocation of stock for 2013/14 financial year from stock adjustment suspense (JLE0152)			1 155
Incorrect depreciation expenditure was recorded under Incorrect component before componentisation (JN E064)			(18 206)
Incorrect depreciation was recognised resulting to the error that asset were not componentised (JN A058)			(22 199)
Incorrect depreciation was recognised resulting to the error that asset were not componentised (JN A058)			(47 777)
Incorrect depreciation expenditure that was recorded due overstatement of prior year depreciation journalised by JN E064 (A066)			3 335
Incorrect depreciation calculated on the system			8 940 470
Incorrect depreciation calculated on the system			5 865 141
Incorrect depreciation calculated on the system			577 844
Total restatement as at 30 June 2013			19 315 928

Prior period errors

Correction of prior period errors

Revenue:

None

Net effect

Expenditure:

Depreciation and amortisation

(18 206)

Depreciation and amortisation

(22 199)

Depreciation and amortisation

(47 777)

Net effect

(88 183)

Assets:

Other receivables from exchange transactions

(4 588)

Inventory

(81 345)

Inventory

1 155

Property, Plant and Equipment

12 905 610

Property, Plant and Equipment

(18 206)

Property, Plant and Equipment

(22 199)

Property, Plant and Equipment

(47 777)

Property, Plant and Equipment

3 335

Net effect

12 736 676

Liabilities:

None

Net effect

39

EMPLOYEE BENEFITS

Pension Benefits

Council's share of contributions to retirement benefit funds were

R1 814 821 R1 318 828

As stated in the accounting policy note, all contributions to retirement benefit funds are treated as contributions to retirement contribution plans.

Defined Benefit Obligation

Opening balance

-

Current Service Cost

15 733 000

Interest cost

-

R15 733 000

Methodology

GRAP 25 requires that the Projected Unit Credit Method be used to determine the present value of the defined benefit obligation.

Summary of key assumptions used

Summary of economic assumptions are:

Discount rate used

9.5%

Healthcare cost inflation used

8.8%

Net discount rate used

0.55%

Discount rate

In line with GRAP 25 and current market practices, government bond yields are therefore used when setting our best-estimate discount rate assumption. The estimated discount rate of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations. The estimated discount rate was set equal to the yield on the BEBA zero-coupon yield curve with a term of 22 years, expected duration of the liability based on the current membership data as at 30 June 2015.

Healthcare cost inflation

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index (CPI) by a margin of 1% to 2%. The Bond Exchange of South Africa (BESA) real yield curve on index-linked bonds. This real yield curve is published together with the BESA zero-coupon government bond yields, which is a normal yield curve.

The best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption. The CPI inflation assumption using this methodology is 5.90% as at 30 June 2015. Thus the healthcare cost inflation rate has been set as 8.80% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Net discount rate

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations. The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net discount rate is 0.55% (calculated as $(1 + \text{discount rate}) / (1 + \text{healthcare cost inflation rate}) - 1$) for the 30 June 2015 valuation.

Maximum subsidy cap

Members will receive a 60% subsidy of their contributions up to a maximum of the product equivalent to Key Health Medical Scheme's Gold option, per the benefits of the policy provided. For the purpose of the calculations, an assumption have been made that the monthly subsidies are capped at Key Health Medical Scheme's Gold option. Furthermore, the maximum cap has been assumed to increase with Healthcare cost inflation as determined above.

Employees of the municipality does enjoy post retirement medical benefits and the municipality has a legal or constructive obligation in this regard. The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a result there was no valuation performed in respect of this membership for the prior reporting period.

40 CONTINGENT LIABILITIES

Contingent liabilities comprises of:

2015

2 144 645

Claim for damages

The Municipality is being sued by a plaintiff for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim.

179 532

Claim for damages

The Municipality is being sued by a plaintiff out of the Magistrates' Court for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim.

128 611

Claim for damages

The Municipality is being sued by a plaintiff out of the High Court for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim.

1 538 248

Claim for damages

The Municipality is being sued by a plaintiff out of the Magistrates' Court as a result for alleged breach of a contract. The Plaintiff obtained default judgement against the Defendant. The Defendant have successfully rescinded the default judgement and filed a plea and a special plea in terms of which it disputes the validity of the claim.

160 219

Claim for damages

The Municipality is being sued by a plaintiff out of the Magistrates' Court for damages as result of a motor vehicle collision. The Plaintiff obtained a default judgement against the Defendant. The Defendant have rescinded the default judgement and filed a plea and a special plea in terms of which it disputes the validity of the claim.

95 200

Claim for damages

The Municipality is being sued by a plaintiff out of the Magistrates' Court for alleged breach of contract.

114 640

Due to the current proceedings of all the above disclosed cases, the Municipality is unable to determine reliably the timing of the expected outflows.

2014

1 611 293

Claim for damages

The Municipality is being sued by service provider arising from the council terminating the service for non-performance in terms of the contract. The Council is contesting the claim based on the legal advice. A court date has not been set.

1 539 248

Claim for damages

A judgement was issued against the municipality arising from an accident involving municipal vehicle and a third party. The municipality is applying to have judgement rescinded on the basis that the summons were not served to the municipality. The court date is set for 12 August 2014.

72 045

Crèche site dispute

The Municipality has a dispute with a community property association with regards to the building of the crèche arising from an objection by a section of the community. This legal opinion provides that the amount of the claim is undeterminable at the reporting date due to the fact that the two parties are still negotiating that the building of the crèche be agreed to be at the current site. Negotiations are underway. The court date is set to be on 31 October 2014.

Due to the current proceedings of all the above disclosed cases, the Municipality is unable to determine reliably the timing of the expected outflows.

41 CONTINGENT ASSETS

Contingent assets comprises of:

2015

2 963 899

Pending Notice of Objection to SARS

VAT refund for the October 2014 tax period is in dispute. The amount of contingent asset is measured reliably

899 472

Stolen cheques

A forensic investigation was conducted into the theft of Plaintiff's cheques and Defendant's staff was found acted negligently. Council is suing Defendant for damages and loss of money. Subsequent to the stealing of cheques, the court case has been finalised and the suspect convicted. Some funds were frozen and accordingly to our lawyers, it is probable that we may recover this amount from the Bank.

1 364 426

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015	2014
	R	R

Due to the current proceedings of all the above disclosed cases, the Municipality is unable to determine reliably the timing of the expected inflows.

2014 **2 531 539**

Stolen cheques

A forensic investigation was conducted into the theft of Plaintiff's cheque and Defendant's staff was found acted negligently. Council is suing Defendant for damages and loss of money. Subsequent to the stealing of cheques, the court case has been finalised and the suspect convicted. Some funds were frozen and accordingly to our lawyers, it is probable that we may recover this amount from the Bank.

2 481 539

Pending Forensic investigation

Forensic investigation is pending. The amount of contingent asset is determined reliably.

350 000

Due to the current proceedings of all the above disclosed cases, the Municipality is unable to determine reliably the timing of the expected inflows.

42 FINANCIAL LOSS RECOVERED (Fraudulent Transactions)

Financial Loss Recovery from the Insurers

1 097 113 1 000 000

Total

1 097 113 1 000 000

Financial Loss recovered from insurers associated with stolen cheques.

43 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.

The Statement of comparison of Budget and actual amounts has been presented as a separate additional statement on page 8. The budget and actual financial statements are prepared on the accrual basis and covers the same period from 1 July 2013 to 30 June 2014.

44 CHANGE OF ACCOUNTING ESTIMATES

The useful lives of certain assets were re-estimated in 2013 and extended accordingly. In the current period management have revised their estimates. The effect of this revision has increased the depreciation charges for the current and future periods by R 61,893.

The effect of these has resulted to an increase in depreciation as follows:

	Pre-change of estimate	Post-change of estimate	Net effect
Current Depreciation	-	61 893	61 893

45 CAPITAL RISK MANAGEMENT

The capital structure of the municipality consist of accumulated surplus as disclosed in the statement of changes in net assets.

46 GEARING RATIO

The gearing ratio is nil since the municipality does not have long term liabilities.

47 FINANCIAL RISK MANAGEMENT

The Department Financial Services monitors and manages the financial risk relating to the operations through internal policies and procedures. These risk include interest rate and liquidity risk. Compliance with policy and procedures is reviewed by internal auditors on a continuous basis and annual by external auditor. The municipality does not enter into or trade financial instruments for speculative purposes.

LIQUIDITY RISK

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

49 TRANSFER TO/FROM ACCUMULATED SURPLUS

2015 2014

Motor vehicle

617 765

This contribution vehicle donated by KZN Department of Health to the municipality.

50 BAD DEBTS

2015 2014

Bad debts

8 245 053

Council has taken a resolution to write off indigent irrecoverable debts.

ZULULAND DISTRICT MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2015

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June -1	Received during the period	Redeemed / written off during the period	Balance at 30 June	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
			-	-	-	-	-	
			-	-	-	-	-	
			-	-	-	-	-	
Total long-term loans								
TOTAL EXTERNAL LOANS			-	-	-	-	-	

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2015

	Cost/Revaluation				Accumulated Depreciation					Transfers R'000	Other movements R'000	Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of impairment loss R'000			
Total brought forward	2 254 165 839	-	(79 511)	229 443 701	2 483 530 029	(230 750 845)	(30 910 744)	11 363	-	(3 258 346)	-	2 218 621 456
Other Assets												
Office Equipment	1 067 066	12 500	(11 444)	-	1 068 122	(321 336)	(273 097)	11 444	-	2 399 618	-	2 884 752
Furniture & Fixings	980 170	622 307	-	-	1 602 477	(358 468)	(192 598)	387	-	-	-	1 051 796
Emergency Equipment	153 746	-	-	-	153 746	(100 771)	(18 614)	-	-	-	-	34 361
Motor vehicles	42 277 603	2 343 398	(1 537 305)	-	43 083 696	(18 658 005)	(5 934 785)	1 376 841	-	637 785	-	20 505 552
Computer Equipment	4 414 476	623 484	(1 782)	-	5 036 177	(2 036 568)	(833 902)	1 782	-	-	-	2 167 489
Other Assets	3 122 152	121 690	-	-	3 243 843	(963 287)	(749 357)	-	-	130 305	-	1 661 504
	52 015 213	3 723 379	(1 550 531)	-	54 188 060	(22 438 435)	(8 002 334)	1 390 453	-	3 167 708	-	28 305 453
Finance Lease Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	2 306 181 053	3 723 379	(1 530 043)	229 443 701	2 537 718 089	(253 189 280)	(38 913 076)	1 401 816	-	(90 638)	-	2 246 926 910

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2014

	COST/REVALUATION				Accumulated Depreciation					Transfers	Other movements	Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Operating Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of impairment loss R'000	Closing Balance R'000		
Land												
Land	470 000	-	-	-	470 000				-	-	-	470 000
	470 000	-	-	-	470 000				-	-	-	470 000
Buildings	43 476 034	-	-	-	43 476 034	(8 898 486)	(1 170 271)	-	-	(10 066 757)	-	33 409 277
Infrastructure												
Water & Sewerage Inet	477 457 336	-	-	-	477 457 336	(124 149 619)	(13 353 746)	-	-	(137 503 364)	160 520 237	500 483 208
Water & Sewerage Pipes	466 546 584	-	-	-	466 546 584	(71 459 725)	(11 686 058)	-	-	(83 145 783)	277 571 832	660 972 633
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	944 003 920	-	-	-	944 003 920	(195 609 344)	(25 039 804)	-	-	(220 649 148)	438 101 069	1 161 455 841
Capital Work In Progress												
Capital Work In Progress	949 837 011	-	-	316 378 874	1 266 215 885		-	-	-	-	(453 034 449)	813 181 437
	949 837 011	-	-	316 378 874	1 266 215 885		-	-	-	-	(453 034 449)	813 181 437
Community Assets												
Recreation Grounds	-	-	-	-	-	-	(34 940)	-	-	(34 940)	14 833 380	14 898 440
	-	-	-	-	-	-	(34 940)	-	-	(34 940)	14 833 380	14 898 440
Total carried forward	1 937 786 965	-	-	316 378 874	2 254 165 839	(204 505 830)	(26 245 015)	-	-	(230 750 845)	0	2 023 414 995

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2014

	Cost / Revaluation				Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment loss			
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total brought forward	1 937 786 965	-	-	316 378 874	2 254 165 839	(204 505 830)	(26 245 015)	-	-	0	-	2 023 414 995
Other Assets												
Office Equipment	1 451 210	188 729	(572 873)	-	1 067 066	(1 239 287)	411 076	506 856	-	-	-	745 730
Furniture & Fittings	889 422	259 720	(178 972)	-	980 170	(484 356)	(42 203)	168 091	-	-	-	621 702
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	139 476	14 270	-	-	153 746	(84 656)	(16 115)	-	-	-	-	52 975
Motor vehicles	39 998 752	5 743 430	(3 464 579)	-	42 277 603	(17 996 853)	(3 469 494)	2 798 343	-	-	-	23 619 599
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	6 233 939	516 488	(2 335 951)	-	4 414 476	(4 301 187)	(396)	2 265 014	-	-	-	2 377 907
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	2 853 185	360 350	(91 363)	-	3 122 152	(755 711)	(294 153)	86 577	-	-	-	2 158 866
	51 575 983	7 062 987	(6 643 757)	-	52 015 213	(24 852 031)	(3 411 285)	5 824 881	-	-	-	29 576 778
Finance Lease Assets												
Office Equipment	907 254	-	-	-	907 254	(803 035)	(104 219)	-	-	-	-	(0)
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	907 254	-	-	-	907 254	(803 035)	(104 219)	-	-	-	-	(0)
Total	1 990 270 202	7 062 987	(6 643 757)	316 378 874	2 307 088 306	(230 160 895)	(29 760 520)	5 824 881	-	0	-	2 052 991 772

APPENDIX C
ANALYSIS OF HERITAGE ASSETS
as at 30 June 2015

	as at 30 June 2015									
	Cost / Revaluation									
					Under Construction	Closing Balance	Impairment loss/Reversal of impairment loss	Transfers	Other movements	Carrying Value
Opening Balance	Additions	Disposals								
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Art collection	1 151 452	-	-	-	-	1 151 452	-	-	-	1 151 452
Work in Progress	1 151 452					1 151 452				1 151 452
Antiquities	-	-	-	-	-	-	-	-	-	-
Stamp collections	-	-	-	-	-	-	-	-	-	-
Collections of insects and butterflies	-	-	-	-	-	-	-	-	-	-
Collections of fossils	-	-	-	-	-	-	-	-	-	-
Collections of rare books or manuscripts	-	-	-	-	-	-	-	-	-	-
Collection of rare books	-	-	-	-	-	-	-	-	-	-
Manuscripts	-	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-
Graves and burial grounds	-	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-
Total	1 151 452	-	-	-	-	1 151 452	-	-	-	1 151 452

APPENDIX C
ANALYSIS OF HERITAGE ASSETS
as at 30 June -1

	Cost / Revaluation as at 30 June -1										
						Impairment loss/Reversal of impairment loss					
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	R'000	R'000	Transfers R'000	Other movements R'000	Carrying Value R'000	
Art collection	988 478	-	-	162 974	1 151 452	-	-	-	-	1 151 452	
Work in Progress	988 478	-	-	162 974	1 151 452	-	-	-	-	1 151 452	
Antiquities	-	-	-	-	-	-	-	-	-	-	
Stamp collections	-	-	-	-	-	-	-	-	-	-	
Collections of insects and butterflies	-	-	-	-	-	-	-	-	-	-	
Collections of fossils	-	-	-	-	-	-	-	-	-	-	
Collections of rare books or manuscripts	-	-	-	-	-	-	-	-	-	-	
Collection of rare books	-	-	-	-	-	-	-	-	-	-	
Manuscripts	-	-	-	-	-	-	-	-	-	-	
Historical Buildings	-	-	-	-	-	-	-	-	-	-	
Graves and burial grounds	-	-	-	-	-	-	-	-	-	-	
Historical Buildings	-	-	-	-	-	-	-	-	-	-	
Total	988 478	-	-	162 974	1 151 452	-	-	-	-	1 151 452	

ZULULAND DISTRICT MUNICIPALITY

APPENDIX D

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

for the year ended 30 June 2015

	Cost / Revaluation			Accumulated Depreciation				Transfers	Other movements	Carrying value R
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Executive & Council	43 946 034	-	-	-	43 946 034	(10 066 757)	(648 829)	-	(10 715 587)	33 230 447
Finance & Admin	48 739 315	3 601 688	-	(1 550 531)	50 790 472	(21 374 377)	(7 234 364)	1 390 453	(27 218 288)	23 481 546
Planning & Development	3 122 152	121 690	-	-	3 243 843	(963 287)	(749 357)	-	(1 712 644)	1 531 199
Health	14 933 380	-	-	-	14 933 380	(34 940)	(419 280)	-	(454 220)	14 479 160
Community & Social Services	153 746	-	-	-	153 746	(100 771)	(18 614)	-	(119 384)	34 361
Public Safety	2 195 286 425	-	229 443 701	(79 511)	2 424 650 615	(220 649 148)	(29 842 635)	11 363	(250 480 420)	2 174 170 195
Water	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	2 306 181 053	3 723 379	229 443 701	(1 630 043)	2 537 718 069	(253 189 280)	(38 913 078)	1 401 816	(290 700 542)	2 246 926 910

ZULULAND DISTRICT MUNICIPALITY
APPENDIX E
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2015

2014		2014		2014		2015		2015	
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income
R	R	R	R	R	R	R	R	R	R
	53 149 349	(53 149 349) Executive & Council		44 670 776,74	(44 670 777)				
288 836 948	35 258 091	253 578 857 Finance & Admin	304 813 312	35 808 723,02	269 004 589	-			
9 531 613	16 768 522	(7 236 910) Planning & Development	3 909 370	17 215 935,20	(13 306 565)				
8 338 025	88 396 884	(80 058 859) Community & Social Services	1 729 000	114 120 051,00	(112 391 051)				
403 889 547	328 304 576	75 584 971 Water & Sanitation	385 088 903	327 846 676,68	57 242 226				
710 596 133	521 877 423	188 718 711	695 540 585	539 662 163	155 878 422				

ZULULAND DISTRICT MUNICIPALITY
APPENDIX E

Grants Revenue and Expenditure Quarterly Report in terms of S122 of the MFMA and

Names of Grants	Names of origin of date	Unspent portion 2012/2014 financial statements	Adjustments and Transfers	Quarterly Receipts	April to June	July to Sept	Oct to Dec	Quarterly Expenditure	Jan to Mar	April to June	Total Expenditure	Unspent portion 2012/2014 financial statements	Grants and Subsidies delayed / withheld	Reasons for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework Revenue Act	Reason for non-compliance
Bulk Implementation Grant	DMMP			1,518,841.00	20,358,443.89	1,518,841.00	1,518,841.00	1,518,841.00	1,518,841.00	1,518,841.00	1,518,841.00	1,518,841.00			YES	
Equitable Share	National Treasury			1,172,800.00	99,148,800.00	1,172,800.00	1,172,800.00	1,172,800.00	1,172,800.00	1,172,800.00	1,172,800.00	1,172,800.00			YES	
MS	National Treasury			1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00			YES	
MANAGEMENT PROJECT	NON COGTA			2,147,000.00	-	-	-	2,147,000.00	2,147,000.00	2,147,000.00	2,147,000.00	2,147,000.00			YES	
Regional Grant	Ad. & Culture			895,800.00	895,800.00	895,800.00	895,800.00	895,800.00	895,800.00	895,800.00	895,800.00	895,800.00			YES	
DWA Operating & Maintenance (Water services operating subsidy)	DMMP			875,000.00	875,000.00	875,000.00	875,000.00	875,000.00	875,000.00	875,000.00	875,000.00	875,000.00			YES	
MAN	COGTA			88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00			YES	
MS	COGTA			934,000.00	934,000.00	934,000.00	934,000.00	934,000.00	934,000.00	934,000.00	934,000.00	934,000.00			YES	
HOUSEHOLD INFRASTRUCTURE GRANT	Nonspore municipality			-	-	-	-	-	-	-	-	-			YES	
Unfunded Transfer	NON COGTA			8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00			YES	
Unfunded Transfer	National Treasury	344,880		8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00			YES	
Grants Disbursement Scheme	Dept of Works			8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00			YES	
Unfunded Transfer	NON COGTA			200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00			YES	
Grants Disbursement Scheme	DMMP	217,195		200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00			YES	
ACIP	DMMP			453,714.55	453,714.55	453,714.55	453,714.55	453,714.55	453,714.55	453,714.55	453,714.55	453,714.55			YES	

ZULULAND DISTRICT MUNICIPALITY
APPENDIX F

Grants Revenue and Expenditure Quarterly Report in terms of S122 of the MFMA and

Names of Grants	Names of origin of date	Unspent portion 2012/2014 financial statements	Adjustments and Transfers	Quarterly Receipts	April to June	July to Sept	Oct to Dec	Quarterly Expenditure	Jan to Mar	April to June	Total Expenditure	Unspent portion 2012/2014 financial statements	Grants and Subsidies delayed / withheld	Reasons for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework Revenue Act	Reason for non-compliance
Bulk Implementation Grant	DMMP			6,880,765.00	20,513,471.41	6,880,765.00	6,880,765.00	6,880,765.00	6,880,765.00	6,880,765.00	6,880,765.00	6,880,765.00			YES	
Equitable Share	National Treasury			1,167,800.00	99,148,800.00	1,167,800.00	1,167,800.00	1,167,800.00	1,167,800.00	1,167,800.00	1,167,800.00	1,167,800.00			YES	
MS	National Treasury			1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00	1,289,056.00			YES	
MANAGEMENT PROJECT	NON COGTA			2,147,000.00	-	-	-	2,147,000.00	2,147,000.00	2,147,000.00	2,147,000.00	2,147,000.00			YES	
Regional Grant	Ad. & Culture			895,800.00	895,800.00	895,800.00	895,800.00	895,800.00	895,800.00	895,800.00	895,800.00	895,800.00			YES	
DWA Operating & Maintenance (Water services operating subsidy)	DMMP			875,000.00	875,000.00	875,000.00	875,000.00	875,000.00	875,000.00	875,000.00	875,000.00	875,000.00			YES	
MAN	COGTA			88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00	88,522,000.00			YES	
MS	COGTA			934,000.00	934,000.00	934,000.00	934,000.00	934,000.00	934,000.00	934,000.00	934,000.00	934,000.00			YES	
HOUSEHOLD INFRASTRUCTURE GRANT	Nonspore municipality			-	-	-	-	-	-	-	-	-			YES	
Unfunded Transfer	NON COGTA			8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00			YES	
Unfunded Transfer	National Treasury	344,880		8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00			YES	
Grants Disbursement Scheme	Dept of Works			8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00	8,891,000.00			YES	
Unfunded Transfer	NON COGTA			200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00			YES	
Grants Disbursement Scheme	DMMP	217,195		200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00			YES	
ACIP	DMMP			453,714.55	453,714.55	453,714.55	453,714.55	453,714.55	453,714.55	453,714.55	453,714.55	453,714.55			YES	

2014/2015									
Statement of comparative and actual information									
with the Annual Budget and Financial Statements Adopted Actual basis									
Particulars	1	2	3	4	5	6	7	8	9
General Budget	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure
Financial Performance									
Service Charges	29 297 000,00			29 297 000,00	29 948 179,36			102,22	102,22
Transfers recognised - operational	312 569 000,00	463 000,00		313 032 000,00	659 449 093,73			210,67	210,98
Other own revenue	190 318 000,00	(7 652 000,00)		182 666 000,00	14 901 928,61			8,16	7,83
Total Revenue	532 184 000,00	(7 189 000,00)		524 995 000,00	704 299 201,70			321,05	321,03
Employee costs	142 395 000,00			142 395 000,00	144 055 908,19			101,17	101,17
Remuneration of councillors	6 467 000,00			6 467 000,00	6 221 335,45			96,20	96,20
Bad Debts					8 246 052,96				
Depreciation	45 618 000,00			45 618 000,00	45 070 211,33			98,80	98,80
Repairs and Maintenance	58 987 000,00			58 987 000,00	41 115 042,01			69,70	69,70
Employee benefits					15 733 000,00				
Materials and Bulk Purchases	84 865 000,00			84 865 000,00	74 180 428,45			87,41	87,41
Transfers of grants	1 981 000,00			1 981 000,00	200 000,00			10,10	10,10
Other expenditure	173 857 000,00	(18 680 000,00)		157 177 000,00	219 579 085,76			139,70	126,30
Total Expenditure	514 170 000,00	(16 680 000,00)		497 490 000,00	554 401 064,15				

Remuneration of councillors

Due to the appropriation of accumulated reserves used to finance the budget

savings was reallocated to salaries to cater for salaries more than budget

savings in allowances

Based on actual debt impairment

Other Assets are purchased at different intervals during the year and some were not capitalised since they are still in progress

Savings achieved

No budget for employee benefits

prove prior year expenditure and it was agreed that money will not be transferred

Rural sanitation budget is not allocated to operating budget since its capital in nature, but does not qualify to be an asset, that resulted to the expenditure being operating and included in the financial performance.

Surplus / (Deficit)	18 014 000,00	9 491 000,00	-	27 505 000,00	149 898 137,55	-	-	-	-
Transfers Recognised- capital	336 994 000,00	(7 000 000,00)		329 994 000,00	329 994 000,00			100,00	97,92
Contributions Recognised				-				-	-
Surplus/Deficit after capital transfers	355 008 000,00	2 491 000,00	-	357 499 000,00	479 892 137,55	-	-	-	-
Capital Expenditure	355 008 000,00	2 480 000,00		357 488 000,00				-	-
Transfers recognised- capital	336 994 000,00	(7 000 000,00)		329 994 000,00	329 994 000,00			100,00	97,92
Internally Generated funds	18 014 000,00	9 480 000,00		27 494 000,00	3 723 379,00			13,54	20,67
Total Sources of capital funds	355 008 000,00	2 480 000,00	-	357 488 000,00	333 717 379,00	-	-	93,35	94,00